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Message Text

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ACTION EB-08

INFO OCT-01 EA-07 ISO-00 COME-00 AGRE-00 L-03 ITC-01
STR-04 CIAE-00 INR-07 NSAE-00 /031 W
----------050850Z 063890 /17
P 050734Z APR 77
FM AMEMBASSY MANILA
TO SECSTATE WASHDC PRIORITY 8017

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E O 11652: NA
TAGS: EAGR, RP
SUBJ: PHILIPPINE SUGAR PRODUCTION COSTS

REF: STATE 66941

1. AVERAGE SUGAR PRODUCTION COSTS:
THERE IS LIMITED INFORMATION ON THE COST OF PRODUCTION IN THE PHILIPPINES. THE LATEST INFORMATION AVAILABLE ON FARM COSTS FROM A STUDY CONDUCTED BY THE ASIA RESEARCH ORGANIZATION FOR THE NATIONAL FEDERATION OF SUGARCANE PLANTERS AND THE ASSOCIATION OF INTEGRATED MILLERS. THIS STUDY WAS CONDUCTED DURING NOVEMBER AND DECEMBER 1976 AND COVERS THE 1975 SEASON. A TOTAL OF 500 PLANTERS WERE INTERVIEWED FROM ALL OF THE SUGAR PRODUCING AREAS. COSTS OF MILLING DATA ARE NOT AVAILABLE. THE ASSUMED COST IS BASED ON INTERVIEWS BY THE AGATTACHE WITH MANY OF THE SUGAR CENTRALS.
ACCORDING TO THE STUDY, FARM COSTS AVERAGE PESOS 3,900 PER HECTARE AND PRODUCTION OF SUGAR AVERAGED 71 PICULS, EG. 4.49 METRIC TONS, PER HECTARE. AVERAGE MILLING COSTS ARE PROBABLY ABOUT PESOS 30 PER PICUL, OR PESOS 2130 PER HECTARE OF CANE PRODUCED. BASED ON THE ABOVE, TOTAL COSTS WOULD BE PESOS 6030 PER HECTARE AND AVERAGE COSTS PESOS 84.93 PER PICUL OR 8.3 U.S. CENTS PER POUND.
BASED ON A PLANTER'S SHARE OF 63.4 PERCENT (45 PICULS), THE PLANTERS AVERAGE COST OF PRODUCTION WOULD BE PESOS 87 PER PICUL, 8.5 U.S. CENTS PER POUND.
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THERE IS NO BREAKDOWN BETWEEN FIXED AND VARIABLE COSTS AT THE FARM LEVEL. FIXED COSTS OF THE MILL ARE ESTIMATED AT 75 PERCENT OF TOTAL COSTS.
NOTE: ONE PICUL IS 139.44 POUNDS AND $1 U.S. IS PESOS 7.35.

2. AVERAGE PRICE PAID TO FARMERS:
THE CURRENT COMPOSITE PRICE FOR RAW SUGAR IS PESOS 81 PER

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PICUL, LESS PESOS 2 PER PICUL WHICH GO TO THE AMELIORATION FUND. THUS, THE NET PRICE IS PESOS 79 PER PICUL OR 7.7 U.S. CENTS PER POUND. THE COMPOSITE PRICE IS DETERMINED BY THE PHILIPPINE EXCHANGE BY ALLOCATING 30 PERCENT OF PRODUCTION FOR DOMESTIC USE AT A PRICE OF PESOS 60 PER PICUL AND 70 PERCENT OF PRODUCTION FOR EXPORT AT PESOS 90 PER PICUL.

3. RETAIL CONSUMER PRICE:

A. THE CONSUMER PRICE OF REFINED SUGAR IS 12.6 U.S. CENTS PER POUND. THE PRICE OF BOTTLER'S SUGAR FOR INDUSTRIAL USE IS 8.4 U.S. CENTS PER POUND. REFINED SUGAR ACCOUNTS FOR ABOUT 70 PERCENT OF TOTAL DOMESTIC USE. OF THAT AMOUNT, ABOUT 70 PERCENT IS FOR INDUSTRIAL USE AND 30 PERCENT FOR HOME CONSUMPTION. ABOUT 30 PERCENT IS CONSUMED AS WASHED AND BROWN SUGAR.

4. AVERAGE UNIT VALUE OF EXPORTS:

ACCORDING TO THE NATIONAL CENSUS AND STATISTICS OFFICE (NCSO), THE AVERAGE UNIT VALUE, F.O.B., OF CENTRIFUGAL SUGAR EXPORTS WAS 27 U.S. CENTS PER POUND IN 1975 AND 13.3 U.S. CENTS PER POUND IN 1976. F.O.B. UNIT VALUES FOR BOTH YEARS ARE WELL ABOVE THE AVERAGE PRICE FOR WORLD SUGAR STOWED CARIBBEAN AS REPORTED IN USDA'S SUGAR AND SWEETNER REPORT.

THE FOLLOWING ARE QUARTERLY EXPORTS FOR 1975 AND 1976:

QUANTITY (M.T.)
VALUE (U.S. DOLLARS, FOB)
UNIT VALUE (CENTS/POUND)

			WORLD SUGAR
	QUANTITY	VALUE	UNIT VALUE	CARIBBEAN

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	(M.T.)	(1000, FOB)	(US CENTS/LB)	(US CENTS/LB)
1975	972,217	580,736	27.1	20.49
1ST QTR.	289,772	226,580	35.47	32.85
2ND QTR.	239,785	179,300	33.92	18.42
3RD QTR.	293,851	116,309	17.95	17.08
4TH QTR.	148,809	58,539	17.84	13.59
1976	1,466,213	429,249	13.28	11.58
1ST QTR.	194,053	55,185	12.90	14.16
2ND QTR.	560,232	171,972	13.92	13.88
3RD QTR.	394,811	109,872	12.62	10.45
4TH QTR.	317,118	92,211	13.19	7.83

WE HAVE ATTEMPTED TO DETERMINE THE REASONS FOR THE APPARENT HIGH PRICE REPORTED BY NCSO BUT HAVE NOT BEEN ABLE TO OBTAIN ANY SATISFACTORY EXPLANATION. WE BELIEVE THE DATA REPORTED BY NCSO ARE TOO HIGH, ESPECIALLY FOR 1976, WHEN TWO-THIRDS OF PHILIPPINE EXPORTS WERE SHIPPED TO THE UNITED STATES UNDER PARTICIPATING

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CONTRACTS. FOR 1975, A PHILIPPINE NATIONAL BANK OFFICIAL SAID
THAT MOST OF THESE SALES WERE MADE THROUGH BROKERS AND IF THEY SOLD
FORWARD AT A HIGH PRICE, THIS MAY ACCOUNT FOR THE HIGH 1975
AVERAGE UNIT VALUES.

5. PRICES FOR PREFERENTIAL SHIPMENTS:
THE EMBASSY HAS NO FIRM INFORMATION ON PREFERENTIAL SHIPMENTS
(WHICH WE ASSUME ARE SHIPMENTS MADE AT LOWER THAN MARKET PRICES
IN RETURN FOR A NON-MONETARY QUID PRO QUO). WE BELIEVE THAT THE
PRICE FOR RECENT SALES TO USSR, PRC AND BROKERS WAS ABOUT 12 U.S.
CENTS PER POUND WITH PROVISIONS FOR PRICE ADJUSTMENTS TO REFLECT
MARKET PRICES AFTER DELIVERY HAS BEEN MADE. THE DIRECT SALE TO
PRC IS BELIEVED TO HAVE BEEN A SUGAR FOR OIL SWAP, AND THE SALE
TO PHILIP BROS.MAY ALSO HAVE BEEN SOME SORT OF BARTER ARRANGE-
MENT.
SULLIVAN

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: SUGAR, AGRICULTURAL PRODUCTION, COSTS
Control Number: n/a
Copy: SINGLE
Sent Date: 05-Apr-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
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Handling Restrictions: n/a
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Previous Handling Restrictions: n/a
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Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 23-Feb-2005 12:00:00 am
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Review Release Date: n/a
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Review Withdrawn Fields: n/a
SAS ID: 2895109
Secure: OPEN
Status: NATIVE
Subject: PHILIPPINE SUGAR PRODUCTION COSTS
TAGS: EAGR, RP
To: STATE
Type: TE
vdkvgwkey: odbc://SAS/SAS.dbo.SAS_Docs/7f1fefa9-c288-dd11-92da-001cc4696bcc
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